

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

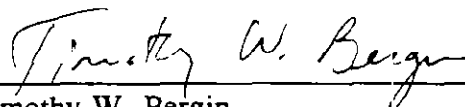
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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY
Docket No. R97-10

POSTAL RATE AND FEE CHANGES, 1997

**THE McGRAW-HILL COMPANIES' INITIAL
INTERROGATORIES AND OTHER DISCOVERY REQUESTS
DIRECTED TO USPS WITNESS THRESS (MH/USPS-T7-1-10)**

Pursuant to the Commission's rules of practice, sections 25-27, The McGraw-Hill Companies, Inc. ("McGraw-Hill") submits the following interrogatories and other discovery requests to the United States Postal Service witness Thomas E. Thress.

Respectfully submitted,

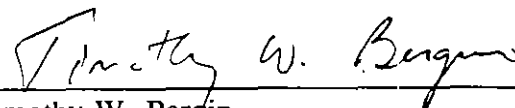


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CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document in accordance with Section 12 of the rules of practice.



Timothy W. Bergin

September 17, 1997

MH/USPS-T7-1.

(a) Please confirm that in estimating the own-price elasticity of demand for Periodicals Regular mail, you did not take into account the extent to which Periodicals mailers respond to an increase in Periodicals postal rates by reducing the size and/or weight of mailed periodicals (or by increasing the size and/or weight of mailed periodicals by less than otherwise). If you do not confirm, please explain fully.

(b) Please confirm that had you taken into account the factor referred to in part (a) above, your estimate of the own-price elasticity of demand for Periodicals Regular mail may have been higher. If you do not confirm, please explain fully.

MH/USPS-T7-2. With respect to your testimony on p. 44, lines 13-21:

(a) Please confirm that your estimate of the own-price elasticity of demand for Periodicals Regular mail does not take into account newspaper volumes that are presently delivered by alternate systems. If you confirm, please explain fully why you did not take that factor into account. If you do not confirm, please explain fully and precisely how that factor was taken into account.

(b) Please confirm that in estimating the own-price elasticity of demand for Periodicals Regular mail, you did not include any variable for the cost of alternate newspaper delivery systems. If you confirm, please explain fully why you did not include any such variable. If you do not confirm, please explain fully and precisely how that variable was included.

(c) Please confirm that had you taken into account the factors referred to in parts (a) and (b) above, your estimate of the own-price elasticity of demand for Periodicals Regular mail may have been higher. If you do not confirm, please explain fully.

(d) Please confirm that in estimating the own-price elasticity of Periodicals Regular mail, you did not take into account alternate delivery of Periodicals mail by electronic means (e.g., through computer networks, CD-ROMs, etc.). If you confirm, please explain fully why you did not take that factor into account. If you do not confirm, please explain fully and precisely how that factor was taken into account.

(e) Please confirm that had you taken into account the factor referred to in part (d) above, your estimate of the own-price elasticity of demand for Periodicals Regular mail may have been higher. If you do not confirm, please explain fully.

MH/USPS-T7-3. Please explain fully your testimony on p. 7 (lines 23-24) and p. 8 (line 1) that "the correspondence between the Periodical mail market and the Periodical mail class may not be exact."

MH/USPS-T7-4. With reference to your response to NAA/USPS-T7-11(b):

(a) Please confirm that in estimating the own-price elasticity of demand for Periodicals Regular mail, you did not take into account any cross-price relationship between Standard and Periodicals mail. To the extent that you do not confirm, please explain fully and precisely how that factor was taken into account.

(b) Please confirm that had you taken into account the factor referred to in part (a) above, your estimate of the own-price elasticity for Periodicals Regular mail may have been higher. If you do not confirm, please explain fully.

MH/USPS-T7-5.

(a) Please confirm that while you took into account user costs (i.e., the cost to mailers of satisfying worksharing requirements, see USPS-T-6, p. 16, lines 18-22) in estimating the own-price elasticities of demand for First-Class and Standard A mail, you did not take into account user costs in estimating the own-price elasticity for Periodicals Regular mail. If you do not confirm, please explain fully.

(b) Please confirm that had you taken into account user costs, your estimate of the own-price elasticity of demand for Periodicals Regular mail may have been higher. If you do not confirm, please explain fully.

(c) Please explain fully why you did not take into account user costs in estimating the own-price elasticity of demand for Periodicals Regular mail.

MH/USPS-T7-6.

(a) Please confirm that in estimating the own-price elasticity of demand for Periodicals Regular mail, you did not take into account the extent to which increases in Periodicals postal rates deter the start-up (and/or mailing) of new periodicals. To the extent you do not confirm, please explain fully and precisely how that factor was taken into account.

(b) Please confirm that had you taken into account the factor referred to in part (a) above, your estimate of the own-price elasticity of demand for Periodicals Regular mail may have been higher. If you do not confirm, please explain fully.

(c) Please confirm that estimates of demand elasticities are necessarily subject to substantial uncertainty. To the extent you are unable to confirm, please explain your answer fully.

MH/USPS-T7-7. With reference to your testimony at p. 46, lines 16-19:

(a) In estimating "the impact of a change in postal prices . . . on subscription rates," please explain fully whether it would be more relevant to consider the price of postage as a percentage of subscription rates rather than as a percentage of the "total cost of preparing and delivering a periodical."

(b) Please confirm that 15-20 percent is more than a "relatively minor component" of either a subscription rate or (if different) of the total cost of preparing and delivering a periodical. To the extent that you do not confirm, please explain your answer fully.

(c) If you knew (assuming it is true) that the average postal rate per piece for Periodicals Regular mail represented on average 15 percent or more of the corresponding subscription rates or (if different) of the total cost of preparing and delivering the periodicals in question, and you were asked to reconsider in that light your estimate of the own-price elasticity of demand for Periodicals Regular mail, what additional investigation and/or analysis and what adjustments in methodology and/or calculation would be appropriate in order to arrive at a more reliable estimate of the own price elasticity of demand for Periodicals Regular mail? Please explain your answer fully.

MH/USPS-T7-8. With respect to your response to ABP/USPS-T7-1, please confirm that total publishing revenue is not necessarily a reliable proxy for the total cost of preparing and delivering a periodical. To the extent that you do not confirm, please explain your answer fully.

MH/USPS-T7-9. With reference to your testimony on p. 47, lines 23-24, on p. 48, lines 3-10, and on p. 50, lines 13-21, please confirm that under your analysis, an estimated own-price elasticity of demand for Periodicals Regular mail (-.143) that is 37.3 percent lower than the estimated own-price elasticity of demand for Periodicals Nonprofit mail (-.228) is sufficiently implausible as to cast some doubt on the estimated elasticity for Periodicals Regular mail. To the extent you are unable to confirm, please explain your answer fully.

MH/USPS-T7-10. (a) Please confirm that the own-price elasticity of demand estimated for Periodicals (second-class) Regular mail in Docket R90-1 was -.291, more than twice as high as the own-price elasticity of demand estimated by you for Periodicals Regular mail in this proceeding. If you do not confirm, please explain fully.

(b) To the extent you are able to do so, please explain fully any factors that would cause the own-price elasticity of demand for Periodicals (second-class) Regular mail to decline by more than 50 percent during this period.